As Congress looks ahead to the 108th session, health issues top the list of key policy decisions.

**Design of Prescription Drug Benefits Affects Patients’ Use of Medication**

In an attempt to control costs, many employers and insurers have adopted incentive-based formularies, in which drugs are placed in different tiers. Enrollees have different co-payments depending on the tier to which a drug is assigned. A recent RAND study found that increasing patients’ co-payments causes consumers to use less medication and less-expensive drugs. The higher co-payments cut costs, but most of the savings go to health insurance plans, not consumers.

Even raising co-payments by $10 or $20 changed patients’ behavior. These findings suggest that policymakers should be cautious when changing plans for low-income consumers because these consumers may react to even smaller changes in co-payments. The RAND researchers are now examining whether patients with common chronic conditions such as diabetes or hypertension, which require a daily array of medications, respond differently to drug benefit changes. They are also following those patients over time to see if these changes affect health outcomes.

**Marijuana: Not Necessarily a Gateway to Use of Hard Drugs**

A new study by RAND’s Drug Policy Research Center casts doubt on claims that marijuana acts as a “gateway” to the use of cocaine and heroin, challenging an assumption that has guided U.S. drug policies since the 1950s. The researchers found that the marijuana gateway effect is not the best explanation for the link between marijuana use and the use of harder drugs.

Rather, the associations between marijuana and hard drug use result from known differences in the ages at which youths have opportunities to use marijuana and hard drugs, and from known variations in individuals’ willingness to try any drug. People who are predisposed to use drugs and have the opportunity to do so are more likely than others to use both marijuana and harder drugs. Marijuana is typically used first because it is more available.

If the explanation of drug use initiation examined in this study is correct, it suggests that policies intended to reduce or eliminate the availability of marijuana are unlikely to make a dent in the hard-drug problem. Indeed, using enforcement resources against marijuana that could have been used against heroin and cocaine could potentially increase heroin and cocaine use.

**Are Medicare’s Special Rural Payments Achieving Their Purpose?**

In legislation enacted over the past thirty years, Congress has established special payments for rural health care providers to help ensure that Medicare beneficiaries living in rural areas have access to care. The special payments include bonus payments to physicians practicing in underserved areas, higher reimbursements to rural health clinics and federally qualified health centers, and special payments for rural hospital inpatient services.

A recent RAND study found that the physician bonus payment system has not been effective. Few physicians are using it. Rural health clinics are helping to keep physicians in rural areas, but they are not increasing provider supply or service capacity. Rather, because physicians are reorganizing as rural health clinics to get higher cost-based reimbursements, the clinics’ services substitute for the physicians’ services. In contrast, the federally qualified health centers, intended to serve primarily an indigent or poorer population, appear to be increasing access to care for a segment of the population that may not have other access.

The special payments for rural hospital inpatient services have been important for the hospitals receiving them, and have not increased Medicare’s costs substantially. Overall, the payments increased Medicare revenues for participating hospitals by about 10%, but they represented less than a 3% increase in Medicare spending for inpatient services for all Medicare beneficiaries residing in non-metropolitan areas.

**READ MORE:**
- Using Marijuana May Not Raise the Risk of Using Harder Drugs
- Cost Sharing Cuts Employers’ Drug Spending
- Costs of a Medicare Prescription Drug Benefit
- Medicare’s Special Payments to Rural Health Providers

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